

Arkansas Insurance Department

Mike Beebe
Governor



Julie Benafield Bowman
Commissioner

NEWS RELEASE

FOR IMMEDIATE RELEASE

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Insurance Department Issues Rule on Service Contracts

LITTLE ROCK, ARKANSAS (November 29, 2007) —State Insurance Commissioner Julie Benafield Bowman announced the recent promulgation of Rule 91 which provides a legal framework relating to the sale of service contracts to Arkansas consumers. The rule makes clear that a service contract, as defined in the Service Contracts Act and in the rule is not insurance and is not subject to the Arkansas Insurance Code.

Rule 91, which became effective October 1, 2007, defines a service contract as a contract or agreement for a separately stated consideration and for a specific duration to perform the service, repair, replacement, or maintenance of property, or indemnification for service, repair, replacement, or maintenance, for the operational or structural failure of property due to a defect in materials, workmanship, or normal wear and tear, with or without additional provision for incidental payment of indemnity under limited circumstances, including without limitation, unavailability of parts, obsolescence, food spoilage, rental or shipping.

Bowman said, “The rule makes clear that service contracts do not include mechanical breakdown insurance or maintenance agreements.” A service contract may provide for the repair, replacement, or maintenance of property for damage resulting from power surges or accidental damage from handling.

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Rule 91 states each provider of service contracts sold in Arkansas must file a registration with the Arkansas Insurance Department annually, on or before October 1st of each year, using a prescribed form and pay a two hundred dollar fee upon initial registration and every year thereafter. Each provider of service contracts sold in the state must also submit a Certificate of Compliance to the Department.

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